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ROCKOWER OF CANADA LIMITED

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Annual Report 1967

**DIRECTORS
AND
OFFICERS**

HAROLD HERTZMAN	<i>Director, President</i>
ARNOLD I. NAIMAN D.F.C.	<i>Director, Chairman of the Board, Executive Vice-President</i>
MORRIS SCHWARTZ	<i>Director, Secretary-Treasurer</i>
I. BUDD ROCKOWER	<i>Director</i>
HARRY E. ROCKOWER	<i>Director</i>
JACOB R. ROCKOWER	<i>Director</i>
HERBERT KURTZ	<i>Director</i>
JOHN W. BLAIN Q.C.	<i>Director</i>
DESMOND N. STOKER	<i>Director</i>
G. P. H. VERNON	<i>Director</i>
WILLIAM R. JOHNSON	<i>Comptroller</i>

EXECUTIVE OFFICES

1167 CALEDONIA ROAD, TORONTO 19, ONTARIO.

AUDITORS

PAPE, STROM, SHERMAN and LAVINE
220 BAY STREET, TORONTO 1, ONTARIO.

TRANSFER AGENTS AND REGISTRAR

CANADA PERMANENT TRUST COMPANY
TORONTO, ONTARIO, AND MONTREAL, QUEBEC.

BANKERS

THE TORONTO-DOMINION BANK
TORONTO, ONTARIO



Harold Hertzman

Morris Schwartz

Arnold Naiman

THE PRESIDENTS REPORT

PROFITS AND SALES

TO OUR SHAREHOLDERS

The Board of Directors is pleased to report that the year 1967 set new record highs in sales and earnings.

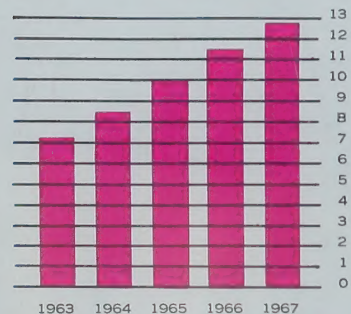
Consolidated sales of \$12,842,579 were 11.7% higher than in 1966. Net earnings were \$718,933 an increase of 16.9% over the previous year.

Profit per share was 87c compared with 71c the previous year. Despite higher operating costs, earnings as a percentage of sales reached an all time high, 5.6% as compared to 5.4% the previous year. Return on Shareholders Equity was 32.3%.

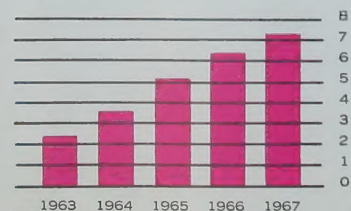
Dividends increased to 34c per Common Share, up from 23½c the previous year. On March 1st. the Board of Directors declared a dividend of 10c per share payable April 1st. to Shareholders of record at the close of business on March 15, 1968.

This marks the sixth consecutive year Rockower has shown improved sales, earnings and profits. It is gratifying proof of the ever-increasing acceptance by the Canadian consumer, of our pioneering concepts in discount merchandising.

SALES MILLIONS OF DOLLARS



NET EARNINGS 100,000 DOLLARS



THE PRESIDENTS REPORT

ASSETS AND GROWTH

Your company's financial position continues to strengthen with working capital at \$2,096,193 as compared to \$1,698,350 the previous year.

Fixed assets increased, due mainly to acquisition of store fixtures for new retail outlets together with manufacturing equipment. Depreciation on all assets is calculated on a straight line basis; 5 years on store fixtures, 10 years on manufacturing equipment and 20 years on Head Office building.

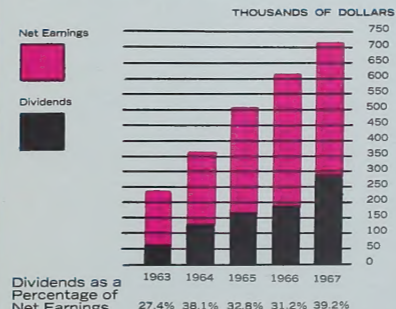
The year, 1967, was an exciting expansion period, our greatest since 1961.

We increased our discount outlets to 23 with the opening of three men's and boys' departments in Towers Discount Department stores in Woodstock, Stratford and Barrie. In September we opened a pilot, independent "Maverick" men's and boys' apparel store in Kingston, a diversification which offers a whole new area of growth potential. Rockower also operates the men's and boys' department in the Savemart Discount Department Store in Cornwall.

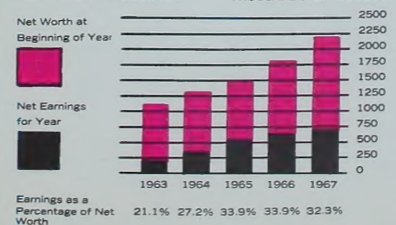
Sales in all units are meeting, and in some cases exceeding, our projections, and already show a positive effect on earnings.

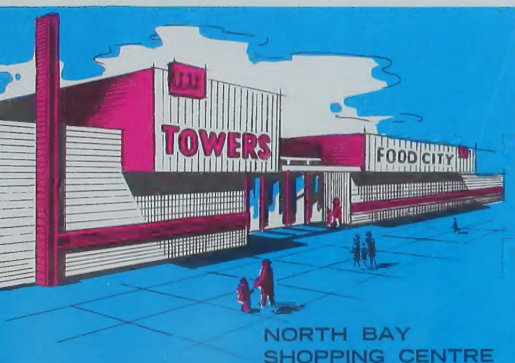
Concurrently with this retail expansion Rockower's import buying programme has developed substantially and our hosiery plant was relocated and enlarged.

NET EARNINGS — DIVIDENDS for YEAR

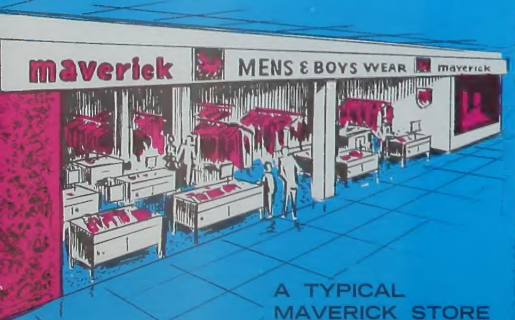


NET WORTH — EARNINGS





NORTH BAY
SHOPPING CENTRE



A TYPICAL
MAVERICK STORE

THE FUTURE

Against the background of its accomplishments to date Rockower regards the future with confidence.

We are equipped organizationally and financially to meet substantial growth requirements in the foreseeable future. Your company is vigorously exploring all possible avenues for expansion either through growth or acquisition.

Because the full impact of our 1967 expansion has not been fully reflected on earnings we anticipate that 1968 will show further advances in sales and profits.

In addition our 25th men's and boys' department was opened on March 12th, 1968 in the North Bay Towers Discount Department Store. Another unit is scheduled for June 1968 in Owen Sound and more are planned.

OUR THANKS

The Rockower success story is firmly based on the dedication and skill of all our personnel. On behalf of the Board of Directors I extend a most sincere vote of appreciation to each and every member of our organization for helping make 1967 another record year.

Harold Hertzman

Harold Hertzman; President

ROCKOWER OF CANADA LIMITED and SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF INCOME For fifty-two weeks ended December 30, 1967

	1967	1966
SALES	\$12,842,579	\$11,501,707
COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES, before undnotated items	11,158,450	10,160,736
Remuneration of directors, officers and senior employees	123,750	121,025
Depreciation	80,861	73,332
Interest on mortgages and notes	2,373	1,531
	11,365,434	10,356,624
OPERATING PROFIT	1,477,145	1,145,083
Investment income	27,473	28,888
INCOME BEFORE TAXES	1,504,618	1,173,971
INCOME TAXES	785,685	558,729
NET INCOME	\$ 718,933	\$ 615,242

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For fifty-two weeks ended December 30, 1967

Balance at beginning of period	\$1,293,393	\$ 870,151
Net income for period	718,933	615,242
	2,012,326	1,485,393
Dividends declared:		26,557
Preference shares	281,663	165,443
Common shares	281,663	192,000
Balance at end of period	\$ 1,730,663	\$ 1,293,393

CONSOLIDATED BALANCE SHEET as at December 30, 1967

ASSETS		1967	1966
CURRENT	Cash	\$ 42,305	\$ 103,889
	Temporary cash investments	1,300,000	500,000
	Proceeds of cash sales, due from lessors	74,029	43,545
	Merchandise inventories, at net realizable value less normal profit margin	1,486,002	1,266,509
	Marketable securities, at cost (approximate market value 1967 - \$204,847; 1966 - \$229,731)	297,053	297,053
	Sundry receivables and prepaid expenses	68,997	29,855
		3,268,386	2,240,851
INVESTMENTS, at cost	Special refundable tax — Government of Canada	31,192	21,350
	Sinking fund debenture, maturing January 2, 1970	—	120,000
		31,192	141,350
FIXED, at cost	Land and building	171,320	170,420
	Furniture and fixtures	411,077	279,574
	Machinery and equipment	166,396	145,719
	Leasehold improvements	25,414	11,313
	Motor vehicles	26,072	25,235
		800,279	632,261
	Less — Accumulated depreciation	301,985	227,136
		498,294	405,125
OTHER	Cash surrender value of life insurance	38,441	28,901
	Sundry deposits	—	1,125
		38,441	30,026
		\$3,836,313	\$2,817,352

See accompanying notes to financial statements.

ROCKOWER OF CANADA LIMITED and SUBSIDIARY COMPANY

LIABILITIES		1967	1966
CURRENT	Accounts payable and accrued liabilities	\$ 808,962	\$ 428,764
	Income taxes payable	363,231	113,729
		1,172,193	542,493
MORTGAGES PAYABLE	7%, due July 1, 1968		11,236
	7¾%, due August 31, 1976		36,773
			48,009
	TOTAL LIABILITIES	1,172,193	590,502
SHAREHOLDERS' EQUITY			
CAPITAL STOCK AUTHORIZED	145,000 First preference shares of a par value of \$10 each, issuable in series		
	1,123,420 Common shares of no par value		
ISSUED AND FULLY PAID	828,420 Common shares	756,900	756,900
CONTRIBUTED SURPLUS		176,557	176,557
	RETAINED EARNINGS	1,730,663	1,293,393
		2,664,120	2,226,850
		\$3,836,313	\$2,817,352

On behalf of the Board:

Harold Hertzman (Director) Arnold I. Naiman (Director)

ROCKOWER OF CANADA LIMITED and SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For fifty-two weeks ended December 30, 1967

		1967	1966
SOURCE OF FUNDS	Net income	\$ 718,933	\$ 615,242
	Expenses not requiring a cash outlay:		
	Depreciation	80,861	73,332
	Other items		313
	Cash provided from operations	799,794	688,887
	Sinking fund debenture repayments	120,000	30,000
	Disposal of fixed assets	2,218	4,308
	Sundry deposits returned	1,125	—
	Mortgages on land and building		48,657
		923,137	771,852
APPLICATION OF FUNDS	Acquisition of fixed assets	176,248	240,150
	Mortgage principal payments	48,009	648
	Special refundable tax — Government of Canada	9,842	21,350
	Cash surrender value of life insurance	9,540	9,072
	Dividends	281,663	192,000
	Redemption of preference shares, 1961 series		9,030
		525,302	472,250
	INCREASE IN WORKING CAPITAL FOR PERIOD	397,835	299,602
	WORKING CAPITAL AT BEGINNING OF PERIOD	1,698,358	1,398,756
	WORKING CAPITAL AT END OF PERIOD	\$2,096,193	\$1,698,358

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
ROCKOWER OF CANADA LIMITED

We have examined the consolidated balance sheet of Rockower of Canada Limited and subsidiary company as at December 30, 1967, and the consolidated statements of income, retained earnings, and source and application of funds for the fifty-two week period ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 30, 1967, and the results of their operations and the source and application of their funds for the period then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Pape, Strom, Sherman & Lavine
Chartered Accountants.

Toronto, Canada,
February 16, 1968.

ROCKOWER OF CANADA LIMITED
and SUBSIDIARY COMPANY
NOTES TO CONSOLIDATED FINANCIAL
STATEMENTS

For fifty-two weeks ended December 30, 1967

1. Long Term Leases and License Agreements

Long term lease agreements entered into by the Company extend into the year 1988. The majority of these agreements provide for payment by the Company to the lessor of a percentage of net sales (as defined in each agreement) of the Company made in the particular store, of which a designated portion is to be expended by the lessor for advertising. Minimum rentals payable during 1968 under these agreements aggregate approximately \$994,000.

2. Stock Option Plan

The Company has instituted a stock option plan, wherein options may be granted to key employees to purchase not more than an aggregate of 40,000 common shares in the company at prices not less than 90% of market price at the time the option is granted. Options may be granted up to October 20, 1972, for a term of not more than five years, and no more than an aggregate of 3,000 shares may be optioned to any one person. As at December 30, 1967, no options had been granted under this plan.

THE MAVERICK STORY

MAVERICK MENS and BOYS' STORE

In September 1967 a pilot Maverick Men's and Boys' wear store was opened in Kingston, Ontario.

This marked Rockower's first venture into independent retailing, although both principals operated highly successful stores before the incorporation of Rockower.

Maverick applies all the techniques proven so successful in our department store mass merchandising units. An extremely efficient use of space is effected by creative store and fixture design. The store occupies 5,000 square feet.

As in the discount departments, Maverick maintains an everyday lower pricing policy; specializes in our corporate brand merchandise; and has an extensive advertising and promotional schedule. By offering the consumer value on a wide range of exclusive quality merchandise, Maverick generates high store traffic and fast turnover. This is further enhanced by the ability of the Maverick concept to fit into our existing buying, accounting, distribution, and supervisory system therefore eliminating the need for increased corporate overhead!

Maverick stores fulfil the need in Canadian retailing for a promotional Men's and Boys' wear chain and as such, our expansion is limited only by the availability of suitable locations. As part of an aggressive programme to find such sites, the enclosed Maverick brochure has been mailed to all leading Canadian developers.



TARUD AND IMPORTS

MANUFACTURING AND IMPORTS

Rockower has invested in the development of our own, corporate brand merchandise. This has resulted in two exciting and profitable areas of diversification; Tarud Hosiery Mills Limited, acquired in 1964, and our own Import Division.

TARUD HOSIERY MILLS

When Rockower acquired Tarud in December 1964, its annual hosiery production was 40,000 dozen. In 1967 we produced 67,000 dozen and 1968 production is expected to reach 90,000 dozen. The number of knitting machines have been increased from 21 to 54.

To keep pace with this increased production, and to further implement quality controls, Tarud moved into a new, highly automated plant in 1967.

With over 90% of Tarud's production being sold in company outlets under our own brand names, it continues to play a significant role in the company's profit picture.

IMPORT DIVISION

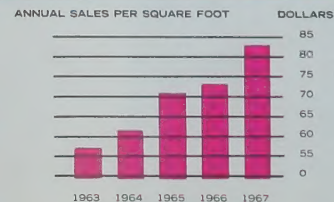
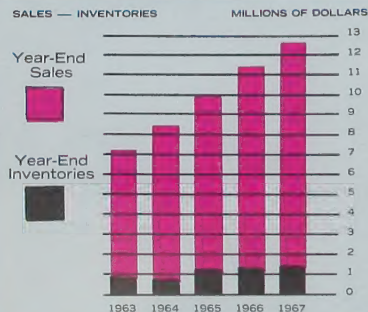
While 75% of Rockower's own brand names are made in Canada, the volume and profitability of our Import Division has become increasingly important.

Our buyers travel to the Orient bi-annually to research the market and develop new styles. These imports are exclusively designed to Rockower's specifications and meet the highest standards of the Canadian Market.

Rockower's specialized import buying programme has placed the company in a favourable competitive position, and has been a major contributing factor in the company's exceptional growth record.



STORE OPERATIONS



N.B. Figure for 1967 adjusted for stores not in operation for full year.

CORPORATE MANAGEMENT

H. Hertzman
A. I. Naiman
M. Schwartz

ADMINISTRATIVE MANAGEMENT

W. R. Johnson
B. Clouse
P. Walsh
D. Whitton

MERCHANDISE MANAGEMENT

N. G. Baum
W. C. Douglas
J. A. Duco
R. C. Jessel
G. L. Snooks
R. L. Wagman
S. Zon

DIVISIONAL MANAGEMENT

P. C. Zettel
J. R. Beaudoin
J. R. Charbonneau
J. G. Robert
W. Thomas

STORE MANAGEMENT

Toronto

R. F. Bales*
V. H. Gordon
J. Lemire
S. Levene
H. P. Schulz*

Barrie
Belleville
Brampton
Cornwall
Hamilton

L. Muise
S. B. Bochnek
D. Dresdner
P. Aubut
W. Carey
R. Chenier

Kingston
London
North Bay
Ottawa

Gary Davis
Geo. Davis*
R. Labrie
K. Zomer

Peterborough
St. Catharines
Stratford
Waterloo
Welland
Woodstock
Montreal

R. MacDonald
C. S. Clark
C. Morgan
A. Atkinson
L. A. VanMels
B. Weekes
J. G. Chabot
W. L. Edwards
E. St. Pierre

Quebec

J. C. Roy*

* Recipients of Merit Awards for 1967



ROCKOWER OF CANADA LIMITED

SALES

EARNINGS BEFORE INCOME TAXES

INCOME TAXES

NET EARNINGS

NET EARNINGS AS A PERCENT OF SALES

COMMON SHARE EARNINGS*
(on shares outstanding at year end)

WORKING CAPITAL

CURRENT RATIO

NET WORTH

DIVIDENDS

SHARES OUTSTANDING AT YEAR END

Preference Shares

Common Shares*

NUMBER OF RETAIL UNITS (at year end)

* 1963 - 1965 adjusted to reflect 3 for 1

† subsidiary not consolidated

Annual Report 1967

MANAGEMENT

H. Hertzman
A. I. Naiman
M. Schwartz

VE MANAGEMENT

W. R. Johnson
B. Clouse
P. Walsh
D. Whitton

MANAGEMENT

N. G. Baum
W. C. Douglas
J. A. Duco
R. C. Jessel
G. L. Snooks
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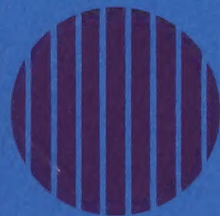
MANAGEMENT

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W. Thomas

EMENT

Toronto R. F. Bales*
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J. Lemire
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H. P. Schulz*
Barrie L. Muise
Belleville S. B. Bochnek
Brampton D. Dresdner
Cornwall P. Aubut
Hamilton W. Carey
R. Chenier
Kingston Gary Davis
London Geo. Davis*
North Bay R. Labrie
Ottawa K. Zomer
Peterborough R. MacDonald
St. Catharines C. S. Clark
Stratford C. Morgan
Waterloo A. Atkinson
Welland L. A. VanMels
Woodstock B. Weekes
Montreal J. G. Chabot
W. L. Edwards
E. St. Pierre
Quebec J. C. Roy*

* Recipients of Merit Awards for 1967



ROCKOWER OF CANADA LIMITED

FIVE YEAR GROWTH RECORD

	1967	1966	1965	1964 [†]	1963
SALES	\$12,842,579	\$11,501,707	\$10,079,756	\$ 8,568,306	\$ 7,252,976
EARNINGS BEFORE INCOME TAXES	1,504,618	1,173,971	1,067,475	762,599	502,013
INCOME TAXES	785,685	558,729	560,265	406,221	257,906
NET EARNINGS	718,933	615,242	507,210	356,378	244,107
NET EARNINGS AS A PERCENT OF SALES	5.60	5.35	5.03	4.16	3.37
COMMON SHARE EARNINGS* (on shares outstanding at year end)87c	.71c	.75c	.51c	.32c
WORKING CAPITAL	2,096,193	1,698,358	1,398,756	1,041,094	1,051,548
CURRENT RATIO	2.8-1	4.1-1	3.2-1	3.3-1	3.2-1
NET WORTH	2,664,120	2,226,850	1,812,638	1,495,020	1,311,081
DIVIDENDS	281,663	192,000	166,200	135,666	66,800
SHARES OUTSTANDING AT YEAR END					
Preference Shares	nil	nil	72,000	72,000	76,035
Common Shares*	828,420	828,420	615,000	615,000	615,000
NUMBER OF RETAIL UNITS (at year end)	24	20	19	18	17

* 1963 - 1965 adjusted to reflect 3 for 1 share split in 1966

† subsidiary not consolidated

GROWTH
RECORD
IN 1967

FINANCIAL HIGHLIGHTS

	1967	1966	% Increase
SALES	\$12,842,579	\$11,501,707	11.7
NET EARNINGS	718,933	615,242	16.9
EARNINGS PER SHARE (on shares outstanding at year end)87c	.71c	22.5
DIVIDENDS	281,663	192,000	46.7

